

AUDIT REPORT

TOWN OF MENO, OKLAHOMA

JUNE 30, 2014



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TOWN OF MENO, OKLAHOMA
JUNE 30, 2014

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TOWN OF MENO, OKLAHOMA
JUNE 30, 2014

SCHEDULE OF FINDINGS

30

TOWN OF MENO, OKLAHOMA
LIST OF COUNCIL MEMBERS
JUNE 30, 2014

TOWN COUNCIL

<u>NAME</u>	<u>POSITION</u>
Jason Caywood	Mayor
James Williams	Vice Mayor
Tana Theilen	Trustee
Randy Wedel	Trustee
Terry Cotton	Trustee
Lacey Navarro	Clerk/Treasurer

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Meno, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Meno, Oklahoma, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting

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estimates made, by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion

The modified cash basis of accounting requires that items, having substantial support in U.S. generally accepted accounting principles, such as capitalizing assets at historical cost and recording depreciation, be recorded in the financial statements. The Town has not maintained accurate capital asset records to support the historical cost of past capital asset purchases and the related depreciation. Documentation supporting historical cost and depreciation was not readily available for our review. The amount by which this departure would affect the assets, net position, and expenses of the Governmental & Business-Type Activities is not readily determinable.

As described in the Notes, the combined financial statements referred to above do not include all of the financial activities of the Fire Department Fund which should be included as a special revenue fund, in order to conform with the modified cash basis of accounting. The effect of this omission on these modified cash basis financial statements is not reasonably determinable, but is considered sufficiently material.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Town of Meno, Oklahoma, as of June 30, 2014, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

The introductory section listed in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Town. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide and assurance on it.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 20, 2014, on our consideration of the Town of Meno's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Town of Meno's internal control over financial reporting and compliance.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Kershaw CPA & Associates, P.C.

Kershaw CPA & Associates, PC

August 20, 2014

TOWN OF MENO, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2014 Total</u>
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 95,480	\$ 157,086	\$ 252,566
Total Current Assets	<u>95,480</u>	<u>157,086</u>	<u>252,566</u>
<u>Capital Assets:</u>			
Land	-	-	-
Other Capital Assets, Net of Accum. Depr.	<u>87,980</u>	<u>530,736</u>	<u>618,716</u>
Total Capital Assets	<u>87,980</u>	<u>530,736</u>	<u>618,716</u>
TOTAL ASSETS	<u>183,460</u>	<u>687,822</u>	<u>871,282</u>
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Customer Deposits	-	<u>5,377</u>	<u>5,377</u>
Total Current Liabilities	<u>-</u>	<u>5,377</u>	<u>5,377</u>
<u>Long-Term Liabilities:</u>			
Notes Payable	-	-	-
Less: Current Portion of Long-Term Debt	<u>-</u>	<u>-</u>	<u>-</u>
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>5,377</u>	<u>5,377</u>
<u>NET POSITION</u>			
Net investment in capital assets	87,980	530,736	618,716
Restricted for:			
Debt Service	-	5,377	5,377
Other Purposes	-	-	-
Unrestricted	<u>95,480</u>	<u>146,332</u>	<u>241,812</u>
TOTAL NET POSITION	<u>\$ 183,460</u>	<u>\$ 682,445</u>	<u>\$ 865,905</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF MENO, OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General Government	\$ 191,683	\$ -	\$ -	\$ 130,621	\$ (61,062)
Public Safety	15,836	-	4,474	-	(11,362)
Highways & Streets	3,715	-	-	-	(3,715)
Debt Service - Interest	-	-	-	-	-
Total Governmental Activities	211,235	-	4,474	130,621	(76,140)
Business-type activities:					
Water, Sewer & Sanitation	104,781	72,617	-	-	(32,164)
Total Business-type Activities	104,781	72,617	-	-	(32,164)
Total	\$ 316,016	\$ 72,617	\$ 4,474	\$ 130,621	\$ (108,304)

Changes in Net Position:

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (76,140)	\$ (32,164)	\$ (108,304)
General revenues:			
Taxes:			
Franchise Tax	7,799	-	7,799
Sales & Use Tax	95,879	-	95,879
Cigar Tax	1,137	-	1,137
Intergovernmental:			
Alcoholic Beverage Tax	5,918	-	5,918
Gasoline Excise Tax	435	-	435
Motor Vehicle Tax	1,844	-	1,844
Cemetery Receipts	-	-	-
Contributions	-	-	-
Miscellaneous Income	5,501	-	5,501
Interest Income	125	343	468
Transfers - Internal Activity	(31,960)	31,960	-
Total general revenues & transfers	86,679	32,303	118,982
Changes in net position	10,540	139	10,679
Net position - beginning	172,921	682,306	855,226
Net position - prior year adjustment	-	-	-
Net position - ending	\$ 183,460	\$ 682,445	\$ 865,905

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF MENO, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General Fund	Street & Alley Fund	Fire Dept. Fund	CDBG Grant Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 26,887	\$ 7,911	\$ 60,683	\$ -	\$ 95,480
TOTAL ASSETS	<u>\$ 26,887</u>	<u>\$ 7,911</u>	<u>\$ 60,683</u>	<u>\$ -</u>	<u>\$ 95,480</u>
LIABILITIES & FUND EQUITY					
LIABILITIES:					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:					
Nonspendable	-	-	-	-	-
Restricted	-	7,911	-	-	7,911
Committed	-	-	-	-	-
Assigned	-	-	60,683	-	60,683
Unassigned	26,887	-	-	-	26,887
TOTAL FUND BALANCES	<u>26,887</u>	<u>7,911</u>	<u>60,683</u>	<u>-</u>	<u>95,480</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 26,887</u>	<u>\$ 7,911</u>	<u>\$ 60,683</u>	<u>\$ -</u>	<u>\$ 95,480</u>

Reconciliation to Statement of Net Position:

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities of \$87,980, net of accumulated depreciation of \$0, are not financial resources and, therefore, are not reported in the funds. 87,980

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds. -

Net Position of Governmental Activities \$ 183,460

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF MENO, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Street & Alley Fund	Fire Department Fund	CDBG Grant Fund	Total Governmental Funds
<u>REVENUES:</u>					
Taxes:					
Franchise Tax	\$ 7,799	\$ -	\$ -	\$ -	\$ 7,799
Sales & Use Tax	63,920	-	31,960	-	95,879
Cigar Tax	1,137	-	-	-	1,137
Intergovernmental:					
Alcoholic Beverage Tax	5,918	-	-	-	5,918
Gasoline Excise Tax	-	435	-	-	435
Motor Vehicle Tax	-	1,844	-	-	1,844
Grants	-	-	4,474	130,621	135,095
Cemetery Receipts	-	-	-	-	-
Contributions	-	-	-	-	-
Miscellaneous Income	5,501	-	-	-	5,501
Interest Income	26	26	74	-	125
TOTAL REVENUES	84,301	2,304	36,508	130,621	253,734
<u>EXPENDITURES:</u>					
Current:					
General Government	38,259	-	-	-	38,259
Public Safety	-	-	15,836	-	15,836
Highways & Streets	-	3,715	-	-	3,715
Debt Service	-	-	-	-	-
Capital Outlay	4,050	-	-	149,374	153,424
TOTAL EXPENDITURES	42,309	3,715	15,836	149,374	211,235
EXCESS OF REVENUES OVER (UNDER)					
EXPENDITURES	41,992	(1,411)	20,671	(18,753)	42,499
<u>OTHER FINANCING SOURCES (USES):</u>					
Transfers In	-	-	-	-	-
Transfers Out	(31,960)	-	-	-	(31,960)
Capital Debt Proceeds	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(31,960)	-	-	-	(31,960)
NET CHANGES IN FUND BALANCES	10,032	(1,411)	20,671	(18,753)	10,540
FUND BALANCE - BEGINNING OF YEAR	16,855	9,321	40,011	18,753	84,941
FUND BALANCE - PRIOR YEAR ADJUSTMENT	-	-	-	-	-
FUND BALANCE - END OF YEAR	\$ 26,887	\$ 7,911	\$ 60,683	\$ -	95,480

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF MENO, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds	\$ 10,540
Amounts reported for governmental activities in the Statement of Activities are different because:	
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:	
Capital debt obligation principal payments	-
Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Position:	
Capital Debt Proceeds	-
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	-
Depreciation expense	-
	<hr/>
Change in Net Position of Governmental Activities	<u><u>\$ 10,540</u></u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF MENO, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2014**

	<u>Meno Public Works Authority Enterprise Fund June 30, 2014</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 157,086
Total Current Assets	<u>157,086</u>
Noncurrent Assets:	
Other capital assets, net of accumulated depreciation	<u>530,736</u>
Total Noncurrent Assets	<u>530,736</u>
TOTAL ASSETS	<u>687,822</u>
<u>LIABILITIES & FUND EQUITY</u>	
Current Liabilities:	
Customer Deposits	5,377
Current Portion of Long-Term Debt	<u>-</u>
Total Current Liabilities	<u>5,377</u>
Noncurrent Liabilities:	
Notes Payable	-
Less: Current Portion of Long-Term Debt	<u>-</u>
Total Noncurrent Liabilities	<u>-</u>
TOTAL LIABILITIES	<u>5,377</u>
NET POSITION:	
Net investment in capital assets	530,736
Restricted for debt service	5,377
Unrestricted	146,332
TOTAL NET POSITION	<u><u>\$ 682,445</u></u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF MENO, OKLAHOMA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS
 PROPRIETARY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Meno Public Works Authority Enterprise Fund June 30, 2014
OPERATING REVENUES:	
Charges for Services:	
Water	\$ 30,149
Sewer	19,214
Sanitation	22,776
Miscellaneous Income	479
TOTAL OPERATING REVENUES	72,617
OPERATING EXPENSES:	
Administrative	35,898
Water	12,622
Sewer	3,535
Sanitation	18,749
Depreciation	33,978
TOTAL OPERATING EXPENSES	104,781
NET OPERATING INCOME (LOSS)	(32,164)
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	343
Interest Expense	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	343
NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	(31,821)
Capital Contributions	-
Transfers in	31,960
Transfers out	-
CHANGE IN NET POSITION	139
TOTAL NET POSITION - BEGINNING	682,306
TOTAL NET POSITION - PRIOR YEAR ADJUSTMENT	-
TOTAL NET POSITION - ENDING	\$ 682,445

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF MENO, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>June 30, 2014</u>
<u>Cash Flows from Operating Activities:</u>	
Receipts from Customers	\$ 72,617
Other Cash Receipts	-
Payments to Suppliers for Goods & Services	(70,803)
Customer Deposits Received, Net of Refunded	42
Net Cash Provided (Used) by Operating Activities	<u>1,856</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Transfers to other funds	-
Transfers from other funds	31,960
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>31,960</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Capital grant received for construction/purchase of capital assets	-
Purchases of Capital Assets	-
Proceeds from sale of Capital Assets	-
Loan Proceeds received	-
Principal paid on Notes Payable	-
Interest paid	-
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>-</u>
<u>Cash Flows from Investing Activities:</u>	
Interest Income	343
Net Cash Provided (Used) by Investing Activities	<u>343</u>
Net Increase (Decrease) in Cash and Cash Equivalents	34,159
Cash & Cash Equivalents, Beginning of Year	122,928
Cash & Cash Equivalents, Prior Year Adjustment	-
Cash & Cash Equivalents, End of Year	<u><u>\$ 157,086</u></u>
<u>Reconciliation of operating income (loss) to net cash provided</u>	
<u>operating activities:</u>	
Operating Income (Loss)	\$ (32,164)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	33,978
(Increase)Decrease in Accounts Receivable	-
Increase(Decrease) in Accounts Payable	-
Increase(Decrease) in Customer Deposits	42
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,856</u></u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF MENO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. FINANCIAL REPORTING ENTITY

The Town of Meno, Oklahoma was incorporated under the provisions of the State of Oklahoma. The Town operates under the statutory town form of government and provides the following services: water, sewer, sanitation, fire protection and general administrative services. The more significant of the government's accounting policies are described below.

B. BASIS OF PRESENTATION

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charges to external parties for goods or services.

Fund Financial Statements

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, cash receipts, cash disbursements, and certain accruals. The Town maintains a separate bank account for each fund. All bank accounts are at institutions, which are FDIC insured.

Governmental Fund Types

The General Fund is the general operating fund of the Town and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another

TOWN OF MENO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

fund. The Street and Alley Fund administers revenues from state vehicle taxes, gasoline excise taxes and grant income. The Fire Department is a component unit of the Town and receives funds from grants, local contributions, and other miscellaneous sources. The CDBG Grant Fund account was established to account for grant monies received from the Oklahoma Department of Commerce for Community Development Block Grant money.

Proprietary Fund Types

The PWA Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing services, such as sewer, on a continuing basis, are financed through user charges, paid by the general public. Proprietary fund types utilize the modified cash basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All proprietary fund fixed assets are valued at estimated historical cost, or if contributed property, at its estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses: renewals and betterments are capitalized.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

Measurement Focus

In the government-wide State of Net Position and Statement of Activities, both governmental and business-like activities are presented used the economic resources measurement focus, within the limitations of the modified cash basis of accounting, subsequently defined in item (b).

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

TOWN OF MENO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

- b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determinations of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the Town utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

D. FINANCIAL POSITION

Cash and cash equivalents

The statement of cash flows for proprietary fund types explains the change in cash and cash equivalents during the fiscal period. For

TOWN OF MENO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Capital Assets

The Town does not maintain adequate records for property and equipment of the governmental or proprietary fund types; therefore Capital Assets are not reported as required by the modified cash basis of accounting. The capital assets that are included in the financial statements are account for as follows:

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The range of estimated useful lives by type of assets is as follows:

Buildings	25-50 years
Improvements	10-50 years
Machinery and Equipment	3-20 years
Utility System	25-50 years
Infrastructure	25-50 years

Capitalization Policy

Purchases of capital items in excess of \$1,000.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

Long-Term Debt

All long-term bonds, notes, and other debt arising from cash transactions or events to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Long-term debt arising from cash transactions or events of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest is reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Net Position/Fund Balance Classifications

Net Position is classified and displayed in three components:

TOWN OF MENO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. *Net investment in capital assets.* Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. *Restricted.* Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. *Unrestricted.* Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the Town's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

- Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board.
- Unassigned - Includes positive fund balance within the General Fund which has not been classified within the

TOWN OF MENO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The purposes of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Street & Alley Fund	Commercial Vehicle Tax Gasoline Excise Tax Grant Income
Fire Department Fund	Charges for Services Grant Income
CDBG Grant Fund	Grant Income

E. REVENUES, EXPENDITURES AND EXPENSES

Program Revenues

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

General Government	Operating and capital grants
Public Safety	Operating and capital grants

All other governmental revenues are reported as general revenues. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating Revenue and Expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

TOWN OF MENO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

F. USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis of accounting used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

G. COMPENSATED ABSENCES

Compensated absences have not been determined because the Town prepares its financial statements on the modified cash basis of accounting. According to generally accepted accounting principles the liability for compensated absences should be accrued.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations. In accordance with Government Auditing Standards, the auditor has issued a report on consideration of the Town's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts, grants and other matters. That report is an integral part of an audit performed in compliance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

Finance-related Legal & Contractual Provisions

As required, the annual budget was prepared and filed with the State Auditor and Inspector's office.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the Town for this fiscal year.

NOTE 3 - CASH AND INVESTMENTS

Custodial Credit Risk

At June 30, 2014, the Town held deposits of approximately \$252,566 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

TOWN OF MENO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Investment Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 4 - CAPITAL ASSETS

The governmental and proprietary fund type operations do not kept detailed capital assets records. These assets would include public domain infrastructure such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. Capital assets include furniture, fixtures and equipment. No depreciation expense has been provided on such assets.

NOTE 5 - LONG-TERM DEBT

The Town of Meno has no long-term debt.

TOWN OF MENO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

	Balance at June 30, 2013	Additions	Deductions	Balance at June 30, 2014
Notes Payable	\$ -	\$ -	\$ -	\$ -
Total Long-Term Debt	\$ -	\$ -	\$ -	\$ -

Debt Service Requirements to Maturity

Year Ending June 30,	Enterprise Fund Debt		Total
	Principal	Interest	
2015	\$ -	\$ -	\$ -
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020-2024	-	-	-
Total	\$ -	\$ -	\$ -

NOTE 6 - FUND BALANCES

As described in Note 1 above, equity is classified as net position and displayed in three components:

1. Net investment in capital assets
2. Restricted
3. Unrestricted

The Town does not have any restricted amounts, other than those restricted for refundable customer deposits.

TOWN OF MENO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Fund Balances

Town of Meno, Oklahoma
Disclosure of Fund Balances Reported on Balance Sheet
For Fiscal Year Ending June 30, 2014

	General Fund	Street & Alley Fund	Fire Dept. Fund	CDBG Grant Funds	Total Governmental Funds
FUND BALANCES:					
Restricted for:					
Road Maintenance	\$ -	\$ 7,911	\$ -	\$ -	\$ 7,911
CDBG Project	-	-	-	-	-
Assigned to:					
Fire Fund	-	-	60,683	-	60,683
Unassigned	26,887	-	-	-	26,887
Total	<u>\$ 26,887</u>	<u>\$ 7,911</u>	<u>\$ 60,683</u>	<u>\$ -</u>	<u>\$ 95,480</u>

NOTE 7 - COMMITMENTS & CONTINGENCIES

Litigation

The Town currently has no pending litigation.

Federally Assisted Programs

In the normal course of operations, the Town participates in various federal or state/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 8 - EMPLOYEE RETIREMENT PLAN

Description of the Plan

Only the Town's volunteer firemen are covered by a pension plan. This noncontributory plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). The Oklahoma Firefighters Pension and Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105-3414, or by calling 1-800-525-7461.

TOWN OF MENO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Funding Policy

The Town is required to make annual contributions of \$60.00 per active volunteer fireman to OFPRS. This contribution covers a portion of the cost of benefits that will be paid to vested volunteer firemen. Additional funding comes from a percentage on all taxes collected on premiums collected by insurance companies and appropriation by the State of Oklahoma.

NOTE 9 - INTERFUND TRANSACTIONS

Interfund operating transfers for the year ended June 30, 2014, were as follows:

OPERATING TRANSFERS:	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL:		
Street & Alley Fund	\$ -	\$ -
Fire Department Fund	-	-
CDBG Grant Fund	-	-
Meno Public Works Authority	-	31,959.78
Total General Fund	<u>\$ -</u>	<u>\$ 31,959.78</u>
SPECIAL REVENUE FUNDS:		
Street & Alley Fund:		
General Fund	\$ -	\$ -
Meno Public Works Authority	-	-
Fire Department Fund:		
General Fund	-	-
CDBG Grant Fund:		
Meno Public Works Authority	-	-
Total Special Revenue Funds	<u>\$ -</u>	<u>\$ -</u>
ENTERPRISE FUNDS		
Meno Public Works Authority:		
General Fund	\$ 31,959.78	\$ -
Street & Alley Fund	-	-
CDBG Grant Fund	-	-
Total Enterprise Funds	<u>\$ 31,959.78</u>	<u>\$ -</u>
	<u>\$ 31,959.78</u>	<u>\$ 31,959.78</u>

NOTE 10 - FIRE DEPARTMENT

Some of the financial records for the Fire Department Fund were unavailable.

TOWN OF MENO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through August 20, 2014, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2014.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Town of Meno, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Meno, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the Town of Meno, Oklahoma's basic financial statements, and have issued our report thereon dated August 20, 2014, which was qualified for the improper capital asset recordkeeping and exclusion of financial activities of the Fire Department Fund.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Meno's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Meno's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Meno's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed

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to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings that we consider to be significant deficiencies. Those deficiencies are listed as Item 14-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Meno's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Town of Meno's Response to Findings

Town of Meno's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Town of Meno's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kershaw CPA & Associates, P.C.
Kershaw CPA & Associates, PC

August 20, 2014

TOWN OF MENO, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2014

INTERNAL CONTROL FINDINGS:

Item 14-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Response: The Board continues to be actively involved in the operations of the organization.

COMPLIANCE FINDINGS:

No findings noted